

COMMERCIAL LEASE NO. 03-31360

ARIZONA STATE LAND DEPARTMENT

THIS COMMERCIAL LEASE is entered into by and between the State of Arizona (acting as "Lessor" by and through the Arizona State Land Department) and

CYPRUS BAGDAD COPPER CORPORATION, a Delaware corporation
(as "Lessee"). In consideration of the payment of rent and the performance by the parties of each of the provisions set forth herein intending to be legally bound, the parties agree as follows:

ARTICLE 1 PREMISES

1.1 Lessor hereby leases to Lessee for the term, at the rent, and in accordance with the provisions set forth herein, the right and easement to use the State land in Yavapai County, Arizona described in Exhibit "A" attached hereto (the "Premises") for the uses and purposes specified in Article 4 hereof.

1.2 The premises shall be used solely and exclusively for operation of two water wells for mobile home park.

1.3 Lessor makes no express or implied assurances with respect to access to the Premises, and Lessee acknowledges that legal access to the Premises is the responsibility of the Lessee during the term of this Lease.

ARTICLE 2 TERM

2.1 The term of this Lease shall be for a period of no more than 10 years commencing on May 1, 1996, and ending on April 30, 2006, unless terminated earlier as a result of a sale, issuance of a right-of-way, exchange, taking, condemnation, or eminent domain, or as otherwise provided in this Lease.

ARTICLE 3

RENT

3.1 Lessee shall pay rent to Lessor annually in advance on the commencement date and each year thereafter on the anniversary of the commencement date of this Lease for the use and occupancy of the Premises during the term of this Lease without offset or deduction except as provided hereafter and, without notice or demand.

3.2 Base rent for the first lease year shall be \$1,500.

3.3 The rent for the second through tenth lease years shall equal the rent of the first lease year as adjusted each lease year by the Consumer Price Index. The current rent shall never be less than the amount due for the previous lease year's rent.

3.4 "CPI" shall mean the Revised Consumer Price Index, U.S. City Average for all Urban Consumers--All Items (1982-1984 equals 100) for the pertinent month, issued by the Bureau of Labor Statistics of the U.S. Department of Labor. If the CPI shall hereafter be converted to a different standard reference base or otherwise revised, adjustments of rent based upon the CPI shall be made with the use of such conversion factor, formula or table for converting the CPI as may be published by the Bureau of Labor Statistics, or if said Bureau shall not publish the same, then with the use of such conversion factor, formula or table as may be published by any nationally recognized publisher of similar statistical information. If the CPI shall cease to be published, there shall be substituted therefore such index as Lessor selects as a reasonable substitute.

3.5 Annual Permitted CPI Adjustment. The Annual Permitted CPI Adjustment shall be the actual percentage increase in the CPI for the preceding twelve (12) month period.

3.6 Lessee shall pay a penalty of five percent (5%) plus interest on any amount of delinquent rent. Interest shall accrue daily on the delinquent amount and on the penalty at the rate set by the Arizona State Treasurer under A.R.S. 37-241(D) (3) until paid. The delinquent rent, penalty and interest shall be a lien on the improvements and other property on the Premises.

ARTICLE 4

USE OF PREMISES

4.1 The Premises shall be used solely and exclusively for the purpose described in Article 1.2.

4.2 Before there is any substantial digging or earth movement on the Premises, Lessee shall satisfy Lessor in writing that no significant cultural, historical, paleontological or archaeological resources, materials or sites will be disturbed, damaged or destroyed. In

the event that such resources, materials or sites may be disturbed, damaged or destroyed, proper mitigation measures must be agreed upon in writing between Lessor and Lessee. If after initial Lessor approval for substantial digging or earth movement by Lessee any additional resources, materials or sites are discovered, Lessee shall immediately cease construction and report such discovery to Lessor. Any materials, including but not limited to, pottery or other archaeological artifacts, found on or in the Premises are Lessor's property and Lessee shall not remove or permit removal of such materials.

4.3 Lessee shall not conduct or permit to be conducted any public or private nuisance on the Premises, nor commit or permit to be committed any waste thereon. Lessee shall not move, use, destroy, cut or remove or permit to be moved, used, destroyed, cut or removed any timber, cactus, protected native plants, standing trees or products of the land except that which is necessary for the use of the Premises, and then only with the prior written approval of Lessor. If the removal or destruction of plants protected under the Arizona Native Plant Law is necessary to the use of the Premises, Lessee shall also obtain the prior written approval of the Arizona Department of Agriculture. Lessee shall report to Lessor and appropriate law enforcement authorities any known or suspected trespass or waste committed on the Premises.

4.4 Lessee shall maintain the entire Premises in a clean and wholesome condition. Lessee shall also construct and maintain the entire Premises in conformity with all federal, state and local jurisdictional laws, statutes, ordinances, regulations and building codes.

4.5 Lessor excepts and reserves out of the Premises all oil, gases, geothermal resources, coal, ores, limestone, minerals, fossils, and fertilizers of every name and description that may be found in or upon the Premises, and the Lessor reserves the right to enter upon the land for the purpose of prospecting therefor, or extracting any or all of the commodities therefrom. Lessor reserves the right to issue to other persons, rights to use the Premises in a manner not inconsistent with the purposes for which this Lease was issued. Lessor further excepts and reserves the right to relinquish to the United States lands needed for irrigation works in connection with a government reclamation project, and to grant or dispose of rights-of-way and sites for canals, reservoirs, dams, power or irrigation plants or works, railroads, tramways, transmission lines or any other purpose or use on or over the Premises.

4.6 Lessee shall quietly have, hold and enjoy the Premises during the term of this Lease so long as Lessee is in compliance with all the provisions of this Lease.

4.7 Lessor, its duly authorized agents, employees and representatives shall have the right to enter upon and inspect the Premises and all improvements thereon at reasonable time, and in a reasonable manner.

4.8 In the event this Lease is not renewed, Lessee shall surrender peaceably the possession of the Premises upon expiration of the term of this Lease.

ARTICLE 5

RECORDS

5.1 Lessee shall make and keep for the term of the Lease and either (i) five years thereafter; or (ii) until the conclusion of any dispute concerning this Lease, whichever is later, appropriate books and records concerning the operation of this Lease including but not limited to Federal and State tax statements, receipts and other records. Lessor, its duly authorized agents, employees and representatives shall have the right at all times during the term of this Lease and for one (1) year after the expiration or termination hereof, to make reasonable examination of those books, records or other material in order to obtain information which Lessor deems necessary to administer this Lease. Further, Lessor, its duly authorized agents, employees and representatives shall have the right at all times during the term of any sublease or any extension thereof, and for one (1) year after expiration or termination thereof, to make reasonable examination of any sublessee's books, records or other material which Lessor deems necessary in order to obtain information to administer Article 3 of this Lease.

ARTICLE 6

CONSTRUCTION AND IMPROVEMENTS

6.1 Lessee shall not place or construct or permit to be placed or constructed any improvement or temporary improvement on the Premises, unless Lessee has obtained the prior written approval of Lessor. Along with any application to place improvements on the Premises, and prior to Lessee applying for a building permit from the local government authority, Lessee shall file with Lessor plans and specifications (including but not limited to grading, construction and landscape plans) showing the nature, location, approximate cost, and quality of the proposed improvements. At the request of Lessor, Lessee shall also submit a perimeter survey of the Premises. The location of completed improvements, as built construction plans and any other information Lessor may require, for purposes of determining developed acres, shall be submitted by the Lessee to the Lessor within three (3) months following the completion of construction. Any improvements placed on the Premises shall conform to existing laws and ordinances applicable to commercial construction and maintenance in the jurisdiction where the Premises are located, unless Lessor determines and advises Lessee in writing that such conformity is not in the best interest of the Trust.

6.2 Gas, electric, power, telephone, water, sewer, cable television and other utility or service lines of every nature shall be placed and kept underground unless Lessor grants prior written approval otherwise. All buildings and structures shall be of new construction and no buildings or structures shall be moved from any other location onto the Premises without Lessor's prior written approval.

6.3 Annually, by the anniversary of the commencement date of this Lease, Lessee shall file with Lessor a sworn statement setting forth the description of any improvements placed on the Premises during the prior lease year and the actual cash value of such improvement.

6.4 All improvements placed upon the Premises by Lessee shall be the property of Lessee subject to the terms of this Lease and shall, unless they become the property of Lessor, be subject to assessment for taxes in the name of Lessee, the same as other property of Lessee. Within sixty (60) days prior to or ninety (90) days following the expiration or termination of this Lease, Lessee may remove those improvements which belong to it, have been previously approved by Lessor in writing, are free of any liens and can be removed without causing injury to the Premises. At its option, Lessor may waive any of the above listed prerequisites to Lessee's removal of improvements on the Premises. Lessee may, with Lessor's prior written approval and within the time allowed for removal, sell its improvements to the succeeding Lessee.

6.5 Improvements made on or to the Premises without Lessor's prior written approval shall constitute a breach of this Lease and the improvements shall forfeit to Lessor.

6.6 This Lease does not confer upon Lessee, its assignees or sublessees, any express or implied rights to the use or removal of surface or ground water from the Premises except as otherwise provided herein. Any use or removal of water from the Premises shall be pursuant to an independent written agreement with Lessor and no claim thereto shall be made by Lessee. Any water right established shall attach and be appurtenant to the Premises.

ARTICLE 7

REPAIRS AND MAINTENANCE

7.1 Lessor shall be under no obligation whatever to maintain, repair, rebuild or replace any improvement on the Premises. Lessee shall, subject to the provisions of Article 12 (Damage) and Article 15 (Eminent Domain) and at its own expense, keep and maintain the Premises in good order, condition and repair in conformity with all governmental requirements and if applicable, those of the insurance underwriting board or insurance inspection bureau having jurisdiction over the Premises, unless Lessor determines and advises Lessee that such conformity is not in the best interest of the Trust.

ARTICLE 8

MECHANICS' LIENS

8.1 Lessee shall be responsible for payment of all costs and charges for any work done by or for it on the Premises or in connection with Lessee's occupancy thereof, and Lessee shall keep the Premises free and clear of all mechanics' liens and other liens and encumbrances on account of work done for Lessee or persons claiming under it; provided, however, that Lessee may in good faith, and with reasonable diligence, contest or dispute any such lien claims in any appropriate forum so long as this Lease or the Leased Premises are not actually in danger of levy or sale. Lessee expressly agrees to and shall indemnify and save Lessor harmless against liability, loss, damages, costs, attorney's fees and all other expenses on account of claims of lien or other encumbrances of laborers or materialmen or others for work performed or materials or supplies furnished to Lessee or persons claiming under it. Further, any contracts between Lessee or sublessees and any contractors and subcontractors shall expressly hold Lessor harmless against any liability arising from such contracts, as described above.

8.2 Should any such claims of lien or other encumbrances be filed against the Premises or any action affecting the title to the Premises be commenced, the party receiving notice of such lien or action shall immediately give the other party written notice thereof.

ARTICLE 9

UTILITIES

9.1 Lessee shall be responsible for and shall hold Lessor harmless from any liability for all charges for water, gas, sewage, electricity, telephone and any other utility service.

ARTICLE 10

TAXES AND ASSESSMENTS

10.1 In addition to the rent set herein, Lessee shall timely pay and discharge, without deduction or abatement for any cause, all duties, taxes, charges, assessments, impositions and payments, extraordinary as well as ordinary, unforeseen as well as foreseen, of every kind and nature (under or by virtue of any current or subsequently enacted law, ordinance, regulation or order of any public or governmental authority), which during the term are due, imposed upon, charged against, measured by or become a lien on (i) the Premises; (ii) any improvements or personal property thereon; (iii) the interest of any of the parties to this Lease or in proceeds received pursuant to this Lease; and (iv) the rent paid pursuant to this Lease.

ARTICLE 11

INSURANCE AND INDEMNITY

11.1 Irrespective of any insurance carried by Lessor for the benefit of Lessor, Lessee hereby expressly agrees to indemnify and hold Lessor harmless, or cause Lessor to be indemnified and held harmless, from and against all liabilities, obligations, damages, penalties, claims, causes of action, costs, charges and expenses, including attorney's fees and costs, which may be imposed upon or incurred by or asserted against Lessor by reason of the following: (i) any accident, injury or damage to any person or property occurring on or about the Premises or any portion thereof; (ii) any use, nonuse or condition of the Premises or any portion thereof; or (iii) any failure on the part of Lessee to perform or comply with any of the provisions of this Lease; except that none of the foregoing shall apply to Lessor's intentional conduct or active negligence. In case any action or proceeding is brought against Lessor by reason of any such occurrence, Lessee, upon Lessor's request and at Lessee's expense, will resist and defend such action or proceeding, or cause the same to be resisted and defended either by counsel designated by Lessee or, where such occurrence is covered by liability insurance, by counsel designated by the insurer.

11.2 Lessee at its expense, shall at all times during the term, and any extension thereof, maintain in full force a policy or policies of comprehensive liability insurance, including property damage, written by one or more responsible insurance companies licensed to do business in the State of Arizona, and each policy shall be written on an occurrence basis, which insure Lessee and Lessor against liability for injury to persons and property and death of any person or persons occurring in, on or about the Premises, or arising out of Lessee's maintenance, use and occupancy thereof. All public liability and personal property damage policies shall contain a provision that Lessor, named as an additional insured, shall be entitled to recovery under the policies for any loss occasioned to it, its servants, agents and employees by reason of the negligence or wrongdoing of Lessee, its servants, agents and employees or sublessees. Further, the policies shall provide that their coverage is primary over any other insurance coverage available to the Lessor, its servants, agents and employees. All policies of insurance delivered to Lessor must contain a provision that the company writing the policy shall give to Lessor thirty (30) days notice in writing in advance of any cancellation or lapse, or the effective date of any reduction in the amounts of insurance.

11.3 The insurance as described in Paragraph 11.1 herein shall afford protection not less than \$1,000,000 in combined single limits for bodily injury and property damage and each liability policy shall be written on an occurrence basis; provided, however, that the minimum amount of coverage for the above shall be adjusted upward on Lessor's reasonable request so that such respective minimum amounts of coverage shall not be less than the amounts then required by statute or generally carried on similarly improved real estate in the County herein described, whichever is greater. If at any time Lessee fails, neglects or refuses to cause such insurance to be provided and maintained, then Lessor may, at its election, procure or renew such insurance and any amounts paid therefor by Lessor shall be an additional amount due at the next rent day.

11.4 Notwithstanding anything to the contrary in this Article, Lessee's obligations to carry the insurance provided for herein may be bought within the coverage of a so-called blanket policy or policies of insurance maintained by Lessee, provided, however, that the coverage afforded Lessor will not be reduced by reason of the use of such blanket policy of insurance.

11.5 Copies of current policies of insurance shall be delivered to Lessor prior to Lessee's occupancy of the Premises. Lessee shall also submit proof of payment of premium upon request of the Lessor. Lessee shall insure that all policies are kept current and have been delivered to the Lessor.

ARTICLE 12

DAMAGE

12.1 If the Premises or any building or other improvement located thereon are damaged or destroyed during the term of this Lease, Lessee may arrange at its expense for the repair, restoration and reconstruction of the same substantially to its former condition, but such damage or destruction shall not terminate this Lease or relieve Lessee from its duties and liabilities hereunder.

ARTICLE 13

TRADE FIXTURES AND PERSONAL PROPERTY

13.1 Any trade fixtures, signs, store equipment, and other personal property installed in or on the Premises by Lessee or any sublessee shall remain their property subject to the provisions of this Lease. Lessee shall have the right, provided it is not then in breach hereunder, at any time to remove any and all of the same, subject to the restrictions of Article 6.4.

ARTICLE 14

ASSIGNMENT, SUBLETTING AND ENCUMBRANCE

14.1 Lessee shall not assign this Lease or any interest therein, nor shall Lessee sublease any portion or all of the Premises without obtaining Lessor's prior written approval. In no event may this Lease or any interest therein be assigned or sublet unless Lessee is in full compliance with this Lease. Lessee shall not enter into a contract of sale, mortgage, lien or other encumbrance affecting this Lease unless a copy is filed with Lessor.

14.2 An assignment of this Lease shall not be made without the consent of all the parties. Lessee may assign all or a portion of the Premises as allowed by the terms of this Article provided Lessee shall assign Lessee's entire interest in that portion of the Premises.

14.3 There shall be no assignment or sublease made except to an assignee or sublessee that will use the Premises for the purpose(s) described herein.

14.4 Notwithstanding any sublease, Lessee shall remain responsible to the Lessor for the performance of the provisions of this Lease.

14.5 The assignment of Lessee's entire interest in a portion of the Premises shall not relieve Lessee of its responsibility to Lessor for the performance of the provisions of this Lease as it relates to that portion of the Premises not transferred by the assignment. Following assignment, an assignee may apply with Lessor for a lease concerning the assigned Premises with a term in excess of ten (10) years. Such leases may be issued only upon approval by the State Land Commissioner, the Board of Appeals, and public auction, and in accordance with the Constitution and Statutes of this State and the rules of the State Land Department.

ARTICLE 15

EMINENT DOMAIN

15.1 If at any time during the duration of this Lease the whole or any part of the Premises is taken by direct sale, lease, institutional taking or acquisition in any manner through condemnation proceedings or otherwise, for any quasi-public or public purpose by any person, private or public corporation, or any governmental agency having authority to exercise the power of eminent domain or condemnation pursuant to any law, general, special or otherwise, this Lease shall expire on the date when the Premises are taken or acquired except as otherwise provided.

15.2 In the event of a partial taking and if the Lessor determines that it is in the best interest of the Trust, the Lease may continue in full force and effect for that portion of the Premises not taken. As against Lessor, Lessee and any sublessee shall not have a compensable right or interest in the real property being taken and shall have no compensable right or interest in severance damages which may accrue to the remainder of the Premises not taken, nor shall Lessee or any sublessee have any compensable right or interest in the remaining term of this Leasehold or any renewal. Rent shall be apportioned as of the day of such taking. Lessor shall be entitled to and shall receive any awards, including severance damage to remaining state lands, that may be made for any taking concerning the Premises.

15.3 In the event of any taking, Lessee shall have the right to receive any and all awards or payments made for any building or other improvements on the lands fully placed on the Premises by Lessee with the Lessor's prior written approval.

ARTICLE 16
BANKRUPTCY AND INSOLVENCY

16.1 If (i) all or substantially all of Lessee's assets are placed in the hands of a receiver, and such receivership continues for a period of thirty (30) days; or (ii) should Lessee make an assignment for the benefit of creditors; or (iii) should Lessee institute any proceedings under any present or future provisions of the Bankruptcy Code or under a similar law wherein Lessee seeks to be adjudicated as bankrupt, or to be discharged of its debts, or to effect a plan of liquidation, composition or reorganization; or (iv) should any involuntary proceedings be filed against Lessee under such bankruptcy laws and not be dismissed or otherwise removed within ninety (90) days after its filing, then this Lease shall not become an asset in any of such proceedings or assignment. In addition to all other rights and remedies of Lessor provided hereunder or by law, Lessor shall have the right to declare the term of this Lease at an end and to re-enter the Premises, take possession and remove all persons, and Lessee shall have no further claim on the Premises under this Lease.

ARTICLE 17
LESSEE DEFAULTS AND LESSOR'S REMEDIES

17.1 All of the provisions of this Lease are conditions. Breach of any one of these conditions by Lessee or any sublessee shall be sufficient grounds for cancellation of this Lease by Lessor, subject to the other provisions of this Article.

17.2 If Lessee fails to keep any provision of this Lease, Lessor may cancel this Lease and declare Lessee's interest forfeited. Lessor shall be forever wholly absolved from liability for damages which might result to Lessee or any sublessee on account of this Lease having been cancelled or forfeited prior to the expiration of the full term, subject to the other provisions of this Article.

17.3 In the event of a breach of this Lease which is not curable or remains uncured after thirty (30) days notice by Lessor of failure to pay rent, taxes or other assessments, and forty-five (45) days from the receipt of the notice to cure any other curable default, to Lessee of the breach, Lessor may, in addition to all other remedies which may be available to Lessor in law or in equity, (i) enter and repossess the premises or any part thereof, expelling and removing therefrom all persons and property (either holding such property pursuant to Lessor's landlord's lien, or storing it at Lessee's risk and expense, or otherwise disposing thereof), as to which Lessor shall not be liable to Lessee or any sublessee for any claim for damage or loss which may thereby occur, and (ii) either (a) terminate this Lease, holding Lessee liable for damages for its breach or (b) treat the Lease as having been breached anticipatorily and the premises abandoned by Lessee without thereby altering Lessee's continuing obligations for the payment of rent and the performance of those Lease provisions to be performed by Lessee during the lease term.

17.4 If Lessor terminates this Lease for Lessee's breach, Lessee shall be liable to Lessor, as liquidated damages and not as a penalty, an amount, which at the time of such termination, represents the amount equal to a six month pro rata portion of the last annual rent paid by Lessee. If termination is made at such time as Lessee is current in annual rent payments, Lessor shall return to Lessee that portion of the annual rent after deducting the above-described liquidated damages. The liquidated damages will compensate Lessor for the loss of rent from the parcel due to the default and costs incurred to re-lease the premises.

17.5 Lessee shall pay to Lessor upon demand all costs, expenses and fees, including attorneys' fees, which Lessor may incur in connection with the exercise of any remedies on account of or in connection with any breach by Lessee, plus interest on all amounts due from Lessee to Lessor at the rate set by the Arizona State Treasurer, according to law.

17.6 The remedies herein granted to Lessor shall not be exclusive or mutually exclusive and Lessor shall have such other additional remedies against Lessee as may be permitted in law or in equity at any time; provided, however, Lessor shall not be relieved of any obligation imposed by law for mitigation of damages, nor shall Lessor recover any duplicative damages, and Lessee shall be reimbursed by any subsequent Lessee or purchaser of the premises for any amount by which the value of Lessee's improvements exceed Lessor's damages, notwithstanding any other provision in this Lease to the contrary. In particular, any exercise of a right of termination by Lessor shall not be construed to end or discharge any right of Lessor to damages on account of Lessee's breach.

17.7 No waiver of breach of any provision of this Lease shall be construed as a waiver of succeeding breach of the same or other provisions.

ARTICLE 18

HOLDING OVER

18.1 There shall not be any holding over by Lessee or any assignee or sublessee, upon the expiration or cancellation of this Lease for any reason. If nevertheless there be any holding over by Lessee or any assignee or sublessee, the holding over shall give rise to a tenancy at the sufferance of Lessor upon the same terms and conditions as are provided for herein with a rent for the holdover period proportionate to twice the last annual installment of rent.

ARTICLE 19

MISCELLANEOUS

19.1 This Lease grants Lessee only those rights expressly and unequivocally granted herein and Lessor retains and reserves all other rights in the Premises.

19.2 Each provision of this Lease shall extend to, be binding on and inure to the benefit of not only Lessee but each of its respective heirs, administrators, executors, successors and assigns. When reference is made in this Lease to either "Lessor" or "Lessee", the reference shall be deemed to include, wherever applicable, the heirs, administrators, executors, successors and assigns of the parties. This Lease shall be binding upon all subsequent owners of the Premises, and of any interest or estate therein or lien or encumbrance thereon.

19.3 The relationship of the parties is that of Lessor and Lessee, and it is expressly understood and agreed that Lessor does not in any way or for any purpose become a partner of Lessee or a joint venturer with Lessee in the conduct of Lessee's business or otherwise, and that the provisions of any agreement between Lessor and Lessee relating to rent are made solely for the purpose of providing a method by which rental payments are to be measured and ascertained.

19.4 After the expiration or termination of this Lease, Lessee shall execute, acknowledge and deliver to Lessor within thirty (30) days after written demand from Lessor to Lessee, any document requested by Lessor quitclaiming any right, title or interest in the Leasehold to Lessor or other document required by any reputable title company to remove the cloud of this Lease from the Premises.

19.5 The titles to the Articles of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part of the Lease.

19.6 If during the term of this Lease it appears that there has been fraud or collusion on the part of Lessee to obtain or hold this Lease at a rent less than its value, or through Lessee's fraud or collusion a former Lessee of the Premises has been allowed to escape payment of the rent due for former Lessee's use of the Premises, Lessor may cancel this Lease and the Premises shall immediately revert to Lessor. If during the term of this Lease it appears that Lessee has misrepresented, by implication, willful concealment or otherwise, (i) the value of the improvements placed on the Premises by a former Lessee or any other person; or (ii) the Lessee not being the owner of the improvements placed on the Premises by a former Lessee or any other person at the commencement of the Lease term, Lessor may cancel this Lease and the Premises shall immediately revert to Lessor.

19.7 Any notice to be given or other document to be delivered to Lessee or Lessor hereunder shall be in writing and delivered to Lessee or Lessor by depositing same in the United States Mail, with prepaid postage thereon fully prepaid and addressed as follows:

TO Lessor: Arizona State Land Department
1616 West Adams Street - First Floor
Phoenix, Arizona 85007

TO Lessee: Cyprus Bagdad Copper Corporation
P. O. Box 245
Bagdad, Arizona 86321

Lessee must notify Lessor by written notice of any change in address within thirty (30) days. Lessor may, by written notice to Lessee, designate a different address.

19.8 If it is determined that Lessor has failed to receive title to any of the Premises, the Lease is null and void insofar as it relates to the land to which Lessor has failed to receive title. Lessor shall not be liable to Lessee or any assignee or sublessee for any damages that result from Lessor's failure to receive title.

19.9 Lessee grants to Lessor a lien superior to all others in Lessee's interest in improvements and valuable materials located on the Premises. Lessor has the right to recover any rent arrearage and outstanding liabilities of the Lessee from the Lessee's interest in the improvements or valuable materials.

19.10 Lessee acknowledges that it has not been induced to enter into this Lease by any promise from Lessor or any of its agents, servants or employees that the Premises will be offered for sale at any time.

19.11 Lessor may cancel this Lease, without penalty or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating the Lease on behalf of Lessor or any of its departments or agencies is, at any time while the Lease or any extension of the Lease is in effect, an employee of any other party to the Lease in any capacity, or a consultant to any other party of the Lease with respect to the subject matter of the Lease. The cancellation shall be effective when written notice from the Governor is received by all other parties to the Lease unless the notice specifies a later time.

19.12 This Lease is subject to all current and subsequently enacted rules, regulations and laws applicable to State lands and to the rights and obligations of Lessors and Lessees. No provision of this Lease shall create any vested right in Lessee except as otherwise specifically provided in this Lease.

19.13 This Lease may be amended only in writing and upon agreement by all parties.

19.14 Lessee agrees and understands that all uses of the land not expressly authorized or permitted by this Lease are expressly prohibited.

19.15 In any action arising out of this Lease, the prevailing party is entitled to recover reasonable attorneys' fees and costs in addition to the amount of any judgment, costs and other expenses as determined by the court. In the case of the Lessor, reasonable attorneys' fees shall be calculated at the reasonable market value for such services when rendered by

private counsel, notwithstanding that it is represented by the Arizona Attorney General's Office or other salaried counsel.

19.16 This document is submitted for examination and shall have no binding effect on the parties unless and until executed by the Lessor (after execution by the Lessee), and a fully executed copy is delivered to the Lessee. Upon the execution hereof, at the request of Lessee, the parties also shall execute, so that Lessee may cause it to be recorded, a short form of this Lease.

19.17 No water may be extracted from any well on the Leased Premises unless purchased at public auction pursuant to law and the regulations of the State Land Department.

In the event Lessee is not the successful bidder at any public auction sale of natural products, water, to be produced from a well or wells on the subject Leased Premises, then this Lease shall ipso facto terminate as of the date of such natural product sale. Reimbursement for improvements on this Lease, if any, shall be made as provided by law and the regulations of the State Land Department.

If Lessee is the successful bidder at any public auction sale of natural products, water, to be produced from a well or wells on subject Leased Premises, Lessee MAY, under the terms of this Lease, pump, convey, transport, store and use such water, subject to the terms and conditions of said water sale agreement.

19.18 Department personnel will have access to well(s) during reasonable hours.

ARTICLE 20

ENCUMBRANCES

20.1 Lessee, and its successors and assigns, shall have the unrestricted right to mortgage and pledge this Lease, subject, however, to the limitations of this section. Any such mortgage/deed of trust or pledge shall be subject and subordinate to the rights of Lessor, and nothing in this Lease shall be construed to impose upon the Lessor any obligation or liability with respect to the payment of any indebtedness to any holder of a mortgage/deed of trust or pledge of this Lease.

20.2 The term of any leasehold mortgage or deed of trust shall not be longer than the remaining lease term.

20.3 No holder of a mortgage/deed of trust on this Lease shall have the rights or benefits provided by this Article nor shall the provisions of this Article be binding upon Lessor, unless and until the name and address of the holder of the mortgage/deed of trust is registered with Lessor.

20.4 If Lessee, or Lessee's successors or assigns, shall mortgage this Lease in compliance with provisions of this Article, then so long as any such mortgage/deed of trust remains unsatisfied of record, the following provisions shall apply:

(a) Lessor, upon giving Lessee any notice of default, or any other notice under the provisions of or with respect to this Lease, shall also give a copy of such notice to the registered holder of a mortgage/deed of trust on this Lease.

(b) Any holder of such mortgage/deed of trust, in case Lessee shall have a monetary default hereunder, shall, within thirty (30) days from the receipt of notice have the right to cure such default, or cause the same to be cured, and Lessor shall accept such performance by or at the instance of such holder as if the same had been made by Lessee, all as provided in A.R.S. §37-289 (A)(2).

(c) Nothing herein contained shall preclude Lessor, subject to the provisions of this Article, from exercising any rights or remedies under this Lease with respect to any other default by Lessee during the pendency of any foreclosure or trustee's sale proceedings.

(d) Any holder of such mortgage/deed of trust, in case Lessee shall have a default other than a default involving failure to pay rent, taxes or other assessments, shall have forty-five (45) days from the receipt of notice to cure any curable default.

(e) If a default is not cured within the applicable time period, the Lessor may make an order cancelling the Lease. The cancellation order shall not become final if the holder of a mortgage/deed of trust files written notice with Lessor of its intent to proceed with a foreclosure action within sixty (60) days from the issuance of the cancellation order and commences the foreclosure action in court and provides Lessor with a certified copy of the complaint within one hundred twenty (120) days of the issuance of the cancellation order. Upon foreclosure of the mortgage/deed of trust, the Lessor shall assign this Lease to the holder of the mortgage/deed of trust, if all taxes, rent and assessment payments are current.

(f) No failure on the part of Lessor to give the required notice of default to the holder of a mortgage/deed of trust shall be deemed a waiver and Lessor's continuing right to give notice of the default continues so long as it remains uncured.

(g) Any notice or other communication which Lessor shall desire or is required to give to or serve upon the holder of a mortgage/deed of trust on this Lease, shall be deemed to have been duly given or served if sent in duplicate by registered or certified mail, addressed to such holder, at his address as set forth in the registration, or at any such other address as

shall be designated by Lessor by notice in writing given to such holder by registered or certified mail, postage pre-paid.

Any notice or other communication which the holder of a mortgage/deed of trust on this Lease shall desire or is required to give or serve upon Lessor shall be deemed to have been duly given or served if sent in duplicate by registered or certified mail addressed to Lessor at Lessor's address as set forth in this Lease or at such other address as shall be designated by Lessor by notice in writing given to such holder by registered or certified mail, postage pre-paid.

(h) Effective upon the commencement of the term of any assignment executed pursuant to paragraph (e) all subleases shall be assigned or transferred without recourse by Lessor to the assignor and all monies on deposit with Lessor which Lessee would have been entitled to use but for the assignment of this Lease may be used by the assignor under the terms of the Lease for the purposes of and in accordance with the provisions of such assignment.

(i) Anything herein contained to the contrary notwithstanding, the provisions of this Article shall inure only to the benefit of the holders of leasehold mortgages which term may also be read to mean deed of trust.

(j) Nothing herein contained shall be deemed to obligate the Lessor to deliver possession of the demised premises to the assignor under any assignment entered into pursuant to paragraph (e) of this section.

(k) No agreement between Lessor and Lessee modifying, cancelling or surrendering this Lease shall be effective without the prior written consent of the registered mortgagees and lienholders.

(l) No union of the interest of Lessor and Lessee shall result in a merger of this Lease in the fee interest.

20.5 Casualty Loss. A standard Mortgage Clause naming each leasehold mortgagee may be added to any and all insurance policies required to be carried by Lessee hereunder on condition that the insurance proceeds are to be applied in the manner specified in this Lease and the leasehold mortgage shall so provide; except that the leasehold mortgage may provide a manner for the disposition of such proceeds, if any, otherwise payable directly to the Lessee (but not such proceeds, if any, payable jointly to the Lessor and the Lessee) pursuant to the provisions of this Lease.

20.6 If any holder of a mortgage or deed of trust on this Lease shall acquire title to Lessee's interest in the Lease, by foreclosure of a mortgage thereon, by Trustee's Sale of a deed of trust thereon, by assignment in lieu of foreclosure or by an assignment from a designee or wholly owned subsidiary corporation of such holder, such holder may assign such

Lease and shall thereupon be released from all liability for the performance or observance of the covenants and conditions in such Lease contained on Lessee's part to be performed and observed from and after the date of such assignment provided that the assignee for such holder of a mortgage/deed of trust shall have assumed such Lease.

20.7 Eminent Domain. Lessee's share, as provided in Article 15 of this Lease, of the proceeds arising from an exercise of the power of eminent domain shall, subject to the provisions of such Article 15, be disposed of as provided for by any leasehold mortgage.

ARTICLE 21

ENVIRONMENTAL INDEMNITY

21.1 Lessee shall protect, defend, indemnify and hold harmless the Lessor from and against all liabilities, costs, charges and expenses, including attorneys' fees and court costs arising out of or related to the presence of or existence of any substance regulated under any applicable federal, state or local environmental laws, regulations or ordinances or amendments thereto because of: (a) any substance that came to be located on the Lease resulting from any use or occupancy of the lands by the Lessee before or after the issuance of the Lease; or (b) any release, threatened release, escape, substance in, on, under or from said Lease that is caused, in whole or in part, by any conduct, actions or negligence of the Lessee, regardless of when such substance came to be located on the Lease.

21.2 For the purposes of this Lease, the term "regulated substances" shall include substances defined as "regulated substances," "hazardous waste," "hazardous substances," "hazardous materials," "toxic substances", "pollutants", "toxic pollutants", "herbicides", "fungicides", "rodenticides", "insecticides", "contaminants", or "pesticides" in any relevant Federal, State or local environmental laws, and the regulations, rules and ordinances adopted and publications promulgated pursuant to the local, State and Federal laws. This indemnification shall include, without limitation, claims or damages arising out of any violations of applicable environmental laws, regulations, ordinances or subdivisions thereof, regardless of any real or alleged strict liability on the part of Lessor provided that such violations occur after the date of this Lease. This environmental indemnity shall survive the expiration or termination of this Lease and/or any transfer of all or any portion of the Premises and shall be governed by the laws of the State of Arizona.

21.3 In the event any such action or claim is brought or asserted against the Lessor, the Lessee shall have the right, subject to the right of the Lessor to make all final decisions with respect to Lessor's liability for claims or damages, (i) to participate with Lessor in the conduct of any further required cleanup, removal or remedial actions and/or negotiation and defense of any claim indemnifiable under this environmental indemnity provision, having reasonable regard to the continuing conduct of the operation/business located on the Premises and (ii) to participate with the Lessor in negotiating and finalizing any agreement or

settlement with respect to any such claim or cleanup. Lessor shall promptly notify Lessee of any environmental claims brought against Lessor with respect to the Premises and shall provide Lessee with copies of any environmental studies and reports to which Lessor has access to.

21.4 In the event Lessee discovers any Regulated Substance on the Premises and such Regulated Substance existed on the Premises prior to the Commencement Date, Lessee shall have the right to terminate the Lease with respect to that portion of the Premises on which such Regulated Substances were located, together with any other portion rendered unusable for Lessee's purposes as a result of its configuration, location, potential contamination or other reason and, if the existence of such Regulated Substances materially and substantially affects Lessee's ability to use the entire premises, Lessee may terminate this Lease as to the entire Premises (which right may be exercised concurrently with any other right or remedy Lessee may have).

21.5 Lessee shall promptly provide Lessor copies of environmental studies and reports performed on the Premises.

STATE OF ARIZONA LAND DEPARTMENT
1616 W. ADAMS
PHOENIX, AZ 85007

RUN DATE: 26-aug-199
RUN TIME: 08:23:57

KE LEASE NUMBER: 003-031360-00-000
AMENDMENT NUMBER: 1

Page

LAND#	LEGAL DESCRIPTION	C.C.	ACREAGE
14.5-N-08.0-W-29-13-031-1000	N2SESWSW N2SWSESW	0.0	10.000
TOTALS:		0.0	10.000

EXHIBIT "A"

IN WITNESS HEREOF, the parties hereto have signed this Lease Agreement effective the day and year set forth below.

STATE OF ARIZONA, LESSOR
Arizona State Land Commissioner

By: Joe M. Hoyle 9-3-96
Date

(Seal)

✓ C. O. Anderson 8/29/96 ✓
Lessee Date

Cyprus Bagdad Copper Corp.
Lessee Date

Lessee Date

✓ P.O. Box 245
Address

✓ Bagdad Arizona 86321
City State Zip

STATE LAND DEPARTMENT
STATE OF ARIZONA

.....COMMERCIAL.....LEASE

THIS INDENTURE, made and entered into this 1st day of May, 1986
by and between the State of Arizona, hereinafter called the lessor, and CYPRUS MINES CORPORATION
CYPRUS BAGDAD COPPER COMPANY DIVISION
of Bagdad, State of Arizona, hereinafter called the lessee:

WITNESSETH, that the State Land Commissioner, by virtue of the authority vested in him by law, and in consideration of the application heretofore made, and the covenants and agreements of this lease, hereinafter set forth, has this day leased to the said lessee the State Land, as hereinafter described, subject to any and all indebtedness that may be known to be due or that may be proven to be due hereafter.

TO HAVE AND TO HOLD the same for the period ending the 30th day of April, 1996
and subject to the conditions and reservations elsewhere set forth herein. The lessee agrees to pay as rental therefor an amount to be determined by the State Land Commissioner each year by an appraisal made by him, or his duly authorized agent, as provided by law. The rental so fixed by the State Land Commissioner will be due and payable annually in advance.

That it is further understood and agreed that this lease is issued for the purpose of: Water pumping facility.

IT IS HEREBY COVENANTED AND AGREED by both parties hereto that this lease is issued subject to all the provisions and requirements thereto, which are found in the various Acts of the Legislature of the State of Arizona, the same as though they were fully set forth herein.

IT IS HEREBY FURTHER COVENANTED AND AGREED that all of the covenants, conditions and agreements, included in this lease, shall be, become and are a part of the lease, the same as though set forth in full over the signatures of the contracting parties hereto.

NOTICE TO ANYONE DEALING WITH THIS DOCUMENT

This document merely authorizes pursuit of its stated purposes; its existence does not constitute a finding by the Land Department that those purposes may be pursued profitably.

COPY

IN WITNESS WHEREOF, the Arizona State Land Commissioner, by virtue of the powers vested in him by law, has caused these presents to be executed by said lessor, at Phoenix, Arizona, on the day and year first above written, and the said lessee has hereunto affixed his signature at the place and on the day and year as set forth herein.

STATE OF ARIZONA, LESSOR

By *Pat J. Ryan*
For the State Land Commissioner

(SEAL)

Signed in the County of Yavapai, State of Arizona, on the 29th day of
August, 1986.

(Sign Here) *J. Mooney*
Vice President & General Manager

(Sign Here) CYPRUS BAGDAD COPPER COMPANY
Lessee

This lease is
issued in duplicate

COPY

SUPPLEMENTAL CONDITIONS

(A) The lessee will not sub-let or assign the land herein described or this lease without the written consent of the State Land Commissioner, first obtained, and will, upon the expiration of the lease, surrender peaceable possession of the said land.

(B) The lessee will not permit any loss, nor commit or cause any waste in, to or upon said land; nor cut or remove nor allow to be cut or removed any timber or standing trees that may be upon said land, save and except only such as may be necessary for the improvement of said land, (and then only with the written consent of the State Land Commissioner) or for fuel for the domestic use of said lessee; provided that nothing herein shall be construed to permit the cutting of saw timber for any purpose.

(C) That the lessor excepts and reserves out of the grant hereby made, all oils, gases, coal, ores, limestone, minerals, fossils, and fertilizers of every name and description that may be found in or upon the land herein described, or any part thereof.

(D) The lands herein described are subject to the execution by lessor of drilling permits and leases for the purpose of prospecting for, and the extraction of, oil and/or gases.

(E) That the lessor also reserves the right, as provided by law, to grant to the United States rights-of-way and easements over, across or upon the lands embraced in this lease for canals, reservoirs, dams, power or irrigating plants or works, railroads, tramways, transmission lines or other purposes, for irrigation works in connection with any government reclamation project.

(F) That if at any time after the execution of this lease, it is shown to the satisfaction of the State Land Commissioner, that there has been fraud or collusion upon the part of the lessee to obtain or hold this lease at a less rental than its value, or through such fraud and collusion a former lessee of said land has been allowed to escape payment of the rental due for the use of said land by the former lessee, this lease shall be null and void, at the option of the State Land Commissioner, insofar as it relates to the land affected by said fraud or collusion.

(G) That if at any time after the execution of this lease it is shown to the satisfaction of the State Land Commissioner that the lessee herein has misrepresented, by implication or otherwise, the value of the improvements placed upon the land herein embraced by a former lessee, or any other person or persons and the lessee herein not being the owner of said improvements at the time of the execution of this lease, this lease shall be null and void, at the option of the State Land Commissioner, insofar as it relates to the land upon which said improvements are situated.

(H) If the lessee should fail to pay the agreed rental when due, or fail to keep the covenants and agreements herein set forth, the State Land Commissioner, at his option, may cancel said lease or declare the same forfeited in the manner provided by law.

(I) That the State of Arizona shall be forever wholly absolved from any liability for damages which might result to the lessee herein on account of this lease having been forfeited for nonpayment of rentals due thereunder prior to the expiration of the full time for which it is issued.

(J) It is understood by the lessee that the establishment of any water right, or rights, shall be by and for the State of Arizona, and that no claim thereto shall be made by said lessee; such rights shall attach to and become appurtenant to the said land.

(K) If the lessee desires to place improvement on the land described herein the approval of the State Land Commissioner must first be obtained. That the lessee will, on or before the first day of July of each year during the term herein specified, file with lessor a sworn statement setting forth therein the character of improvements constructed on said demised premises and the actual cash value thereof.

(L) That said lessee shall have the right to remove from said demised premises, at the end of the term herein specified or upon the earlier termination thereof, all buildings, structures or improvements of whatever nature placed by it on said premises. Such right to be exercised within thirty (30) days from the date of the end of such term or earlier termination thereof.

(M) That said lessee shall give lessor thirty (30) days' notice in writing in advance of the abandonment of said premises or termination of these presents.

(Continued)

SUPPLEMENTAL CONDITIONS

(cont.)

(N) The terms, conditions and covenants of this lease are subject to present laws relating to state lands and the rights of both lessor and lessee hereunder are each and all subject to such modifications as may be consistent with such amendments, revisions or repeals of existing laws as may hereafter be made and no provisions of this lease shall create any vested right in the lessee herein.

(O) Any improvements placed on this commercial lease must conform to existing Laws and Ordinances relative to commercial construction and maintenance in the area where this land is located. Approval granted by regulatory authorities will accompany application to place improvements when filed with the State Land Department.

(P) That the lessor also reserves the right to grant rights-of-way and easements over, across, or upon the lands embraced in this lease for public highways, railroads, tramways, telephone, telegraph, transmission lines, pipe lines, irrigation works, flood control, drainage works, logging and other purposes, and this lease is issued subject to all existing rights-of-ways.

(Q) Lessee shall notify the Lessor in writing of the number of any license issued by the State Tax Commission of Arizona to Lessee, any Sub-Lessee, Concessionaire or Assignee, and the name in which issued; Lessee, any Sub-Lessee, Concessionaire or Assignee does hereby consent to the examination of any such returns filed with the State Tax Commission by Lessee, any Sub-Lessee, Concessionaire or Assignee.

(R) Lessee and each Sub-Tenant, Concessionaire or Assignee shall at all times keep and maintain an accounting system and books of accounts and records satisfactory to Lessor. Lessee shall, at all times during business hours, have access to such records at the place where the same are kept, for the purpose of inspecting and auditing the same.

(S) Within 60 days after request is made by Lessor, Lessee shall file with Lessor a statement of the total gross sales made for the period therein specified; unless otherwise directed by Lessor, this report may be made by filing with the Lessor the requested information on the form used by the State Tax Commission of Arizona (Form ST-1, (1-68) at present) "Combined Transaction-Privilege (sales) Tax, Education Excise Tax, and Special Excise Tax for Education Return."

(T) Improvements made on or to the site, without the written consent of the Lessor as required by Arizona Revised Statutes, Section 37-321, shall constitute a breach of this lease and subject this lease to cancellation by Lessor.

(U) All buildings and structures shall be of new construction, and no buildings or structures shall be moved from any other location onto the leased premises without the prior written approval of Lessor.

(V) Gas, electric, power, telephone, water, sewer, cable television and other utility or service lines of every nature whatsoever shall be placed and kept underground (except to the extent, if any, such underground placement may be prohibited by law) unless Lessor otherwise approves in writing.

(W) Prior to the approval of any application to place improvements on the leased premises, the Lessee shall file with Lessor plans and specifications (including but not limited to grading and landscape plans) showing the nature, location, approximate costs, quality of proposed materials, size, area, height, color, shape and design of the proposed improvements; the Lessor may also require a perimeter survey of the leased premises, upon which shall be shown the location of the completed improvements.

If the removal of plants protected under the Arizona Native plant law is necessary to enjoy the privilege of this document, the permittee hereunder must previously acquire the written permission of the Arizona State Land Department and Arizona Commission of Agriculture and Horticulture to remove those plants.

The lease may be amended from time to time by mutual agreement of the parties hereto, provided that the lessor deems such amendment to be in the best interests of the State of Arizona.

The lessee acknowledges that lessee has not been induced to enter into this lease agreement by any promises from the State Land Department or any of its personnel that the premises being leased herein will be offered for sale at any time.

(Continued)

Lessee agrees and understands that all uses of the land not expressly authorized or permitted by this lease are expressly prohibited.

In any action arising out of this lease, the prevailing party is entitled to recover reasonable attorneys' fees in addition to the amount of any judgment, costs and other expenses as determined by the court. In the case of the lessor, reasonable attorneys' fees shall be calculated at the reasonable market value for such services when rendered by private counsel notwithstanding that it is represented by the Arizona Attorney General's Office or other salaried counsel.

The Lessee agrees to indemnify, hold and save Lessor harmless against all loss, damage, liability, expense, costs and charges incident to or resulting in any way from any injuries to person or damage to property caused by or resulting from the use, condition or occupation of the land.

CONDEMNATION

If at any time during the duration of this lease the whole or any part of the leased premises shall be taken by direct sale, lease, institutional taking or acquisition in any manner through condemnation proceedings or otherwise, for any quasi-public or public purpose by any person, private or public corporation, or any governmental agency having authority to exercise the power of eminent domain or condemnation proceedings pursuant to any law, general, special or otherwise, this lease shall expire on the date when the leased property shall be so taken or acquired except that in the event of a partial taking the lease may continue in full force and effect for those lands not taken, however, the lessee shall have no compensable right or interest in the real property being condemned and shall have no compensable right or interest in severance damages which may accrue to the remaining lease property not acquired by condemnation proceedings. Rent paid or to be paid by lessee shall be apportioned as of the date of such taking and rent for any remaining land under the lease after the taking shall be reduced proportionately to the acreage remaining under the lease to the lessee. The State Land Department shall be entitled to and shall receive any and all awards, including severance damage to remaining State lands, that may be made for any eminent domain or condemnation proceedings concerning the land which is the subject of this lease, except that lessee shall have the right to receive any and all awards or payments made for any buildings or other improvements lawfully placed on the subject property by the lessee with the approval of the State Land Department.

Notice of State Authority to Cancel this Contract:

A. The State may cancel any contract, without penalty or further obligation, made after September 4, 1978, by the State or any of its departments or agencies if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the State or any of its departments or agencies is, at any time while the contract or any extension of the contract is in effect, an employee of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract.

B. The cancellation shall be effective when written notice from the Governor is received by all other parties to the contract unless the notice specifies a later time.

OTHER TERMS

03-31360

1. "CPI" shall mean the Consumer Price Index, U.S. City Average for all Urban Consumers--All Items (1967 equals 100) for the pertinent month, issued by the Bureau of Labor Statistics of the U.S. Department of Labor. If the CPI shall hereafter be converted to a different standard reference base or otherwise revised, adjustments of rent based upon the CPI shall be made with the use of such conversion factor, formula or table for converting the CPI as may be published by the Bureau of Labor Statistics, or if said Bureau shall not publish the same, then with the use of such conversion factor, formula or table as may be published by any nationally recognized publisher of similar statistical information. If the CPI shall cease to be published, there shall be substituted therefor such index as Lessor selects as a reasonable substitute.
2. Lessee shall pay rent to lessor for the use and occupancy of the premises during the term of this lease without offset or deduction except as provided hereafter and, without notice or demand, at the times and in the amounts as follows:

The annual rent shall be due every year on the anniversary of the commencement date as follows: Rent for the first year shall be \$582 per year.
3. The base rent shall be adjusted each lease year by the Consumer Price Index but shall never be less than the previous lease year's rent.
4. Lessee shall pay a penalty of five percent (5%) of any amount delinquent, and shall pay daily interest on delinquent amount plus penalty for the rate by the Arizona State Treasurer, according to law.
5. Lessee shall make application to place improvements on the leased premises and have Department approval of such application prior to any construction activities.
6. Any improvements placed upon the leased premises without prior written permission of the Land Department, shall be forfeited and become property of the State.
7. Lessee shall adhere to all rules, regulations, ordinances, and building codes as promulgated by local jurisdictions and any applicable State agencies.
8. A minimum charge for groundwater used in the conduct of lessee's business will be assessed each year. This charge will be subject to annual reappraisal.
9. Lessee agrees to pay the Department for all water withdrawn over the minimum amount.

- ✓10. Monthly reports of water must be submitted to the Department on standard forms supplied by the Department.
- 11. Lessee is required to measure withdrawals if groundwater is pumped from a non-exempt well. However, if well has been granted a Type 2 Grandfathered Right or a groundwater withdrawal permit for ten acre feet or less, there is no requirement to measure withdrawals.
- ✓12. The Arizona Department of Water Resources requires an annual report of groundwater pumped from non-exempt wells within Active Management Areas and Irrigation Non-Expansion Areas. The annual report and any withdrawal fee should be submitted to the Land Department in a timely manner, as set by the Department.
- 13. If groundwater is pumped off State land or is used for purpose(s) different from the lease, then lessee must immediately notify the Department to hold a public auction sale for the water.
- 14. Department personnel will have access to well(s) during reasonable hours.
- 15. Insurance and Indemnity:
 - 15.1 Lessor shall not be liable at any time for any loss, damage or injury to the property or person of any person at any time, occasioned by or arising out of (i) any act, activity or omission of lessee, its agents, servants, employees, sublessees, concessionaires, or of anyone holding under lessee; and (ii) the occupancy or use of the leased premises or any part thereof by or under lessee.
 - 15.2 Notwithstanding anything to the contrary contained herein and irrespective of any insurance carried by lessee for the benefit of lessor under the provisions of this Article, lessee expressly agrees to protect and does hereby indemnify and hold lessor and the premises harmless from any and all damages or liabilities at any time occasioned by or arising out of (i) any act, activity or omission of lessee, its agents, servants, employees, sublessees, concessionaires, or of anyone holding under lessee; (ii) the occupancy or use of the premises or any part thereof by or under lessee; and (iii) any wrongful or negligent act, activity or omission of lessor, its agents, servants or employees, it being the specific intent of the parties to indemnify the State of Arizona for any and all losses, claims, judgments and attorney's fees arising out of the contract even if they result from lessor's own negligence or wrongdoing.
 - 15.3 Lessee, at its expense, shall at all times during the term and any extension maintain in full force a policy or policies of comprehensive liability insurance, including property damage, written by one or more responsible insurance companies licensed to do business in the State of Arizona, which insure lessee and lessor against liability for injury to persons and property and death of any person or persons occurring in, on or about the premises, or arising out of lessee's maintenance, use and occupancy

thereof. All public liability and personal property damage policies shall contain a provision that lessor, named as an additional insured, shall be entitled to recovery under the policies for any loss occasioned to it, its servants, agents and employees by reason of the negligence or wrongdoing of lessee, its servants, agents, employees, sublessees, concessionaires. Further, the policies shall provide that their coverage is primary over any other insurance coverage available to the lessor, its servants, agents and employees. All policies of insurance delivered to lessor must contain a provision that the company writing the policy shall give to lessor thirty (30) days notice in writing in advance of any cancellation or lapse, or the effective date of any reduction in the amounts of insurance.

15.4 The insurance shall afford protection to the limit of not less than Five Hundred Thousand Dollars (\$500,000.00) in respect to injury to or death of one person; One Million Dollars (\$1,000,000.00) in respect of any one occurrence; and One Hundred Thousand Dollars (\$100,000.00) with respect to property damage.

15.5 Notwithstanding anything to the contrary in this Article, lessee's obligations to carry the insurance provided for herein may be brought within the coverage of a so-called blanket policy or policies of insurance maintained by lessee, provided, however, that the coverage afforded lessor will not be reduced by reason of the use of such blanket policy of insurance.

15.6 Copies of all the executed policies of insurance or certificates thereof shall be delivered to lessor prior to lessee's occupancy of the premises.

ASSIGNMENT OF LEASE

Phoenix, Arizona

The application of

 for permission to assign Lease No. and the application of

 for the assumption of said Lease, having been duly considered this day of 19.....
 and without waiver of State rights which may exist against the lease assigned, and with this consent not to be construed as
 initiating any new rights in assignee of lease, consent is hereby given for the assignment applied for and it is ordered that
 the said Lease No. and all rights thereunder be and are hereby transferred to the said

By
 For the State Land Commissioner

ASSIGNMENT OF LEASE

Phoenix, Arizona

The application of

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By
 For the State Land Commissioner